

Mt. Pleasant Public Schools

Mt. Pleasant, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2008

Table of Contents

| <u>Section</u> | <u>Page</u> |
|---|-------------|
| 1 Members of the Board of Education and Administration | 1 - 1 |
| 2 Independent Auditors' Report | 2 - 1 |
| 3 Management's Discussion and Analysis | 3 - 1 |
| 4 Basic Financial Statements | |
| District-wide Financial Statements | |
| Statement of Net Assets | 4 - 1 |
| Statement of Activities | 4 - 2 |
| Fund Financial Statements | |
| Governmental Funds | |
| Balance Sheet | 4 - 3 |
| Reconciliation of the Balance Sheet of | |
| Governmental Funds to the Statement of Net Assets | 4 - 5 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 4 - 6 |
| Reconciliation of the Statement of Revenues, Expenditures and | |
| Changes in Fund Balances of Governmental Funds to the Statement of Activities | 4 - 8 |
| Fiduciary Funds | |
| Statement of Fiduciary Net Assets | 4 - 9 |
| Statement of Changes in Fiduciary Net Assets | 4 - 10 |
| Notes to Financial Statements | 4 - 11 |
| 5 Required Supplemental Information | |
| Budgetary Comparison Schedule – General Fund | 5 - 1 |

Section

Page

6

Other Supplemental Information

Nonmajor Governmental Funds

Combining Balance Sheet

6 - 1

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

6 - 2

Schedule of Outstanding Bonded and Note Indebtedness

6 - 3

Mt. Pleasant Public Schools
Members of the Board of Education and Administration
June 30, 2008

Members of the Board of Education

Pam Dosenberry – President

Barry Alford – Vice President

Laura McBride – Secretary

Rita Doneth – Treasurer

Don Chiodo – Trustee

Ian Gray – Trustee

Timothy Odykirk – Trustee

Administration

Joseph Pius – Superintendent

Marla Michalak – Chief Financial Officer



3023 Davenport
Saginaw, MI 48602
Phone (989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

Independent Auditors' Report

To the Board of Education
Mt. Pleasant Public Schools
Mt. Pleasant, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mt. Pleasant Public Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mt. Pleasant Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mt. Pleasant Public Schools as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2008, on our consideration of the Mt. Pleasant Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mt. Pleasant Public Schools' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 15, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mt. Pleasant Public Schools
Management's Discussion and Analysis
June 30, 2008

This section of the Mt. Pleasant Public Schools annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follows this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Mt. Pleasant Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds; the General Fund and the 2007 Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statements, the statement of fiduciary net assets and the statement of changes in fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion & Analysis (MD&A)
(Required Supplemental Information)
Basic Financial Statements
Fund Financial Statements
Notes to the Basic Financial Statements
(Required Supplemental information)
Budgetary Information for Major Funds
Other Supplemental Information

Reporting the School District as a Whole - District-Wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Mt. Pleasant Public Schools
Management's Discussion and Analysis
June 30, 2008

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money (like bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

Mt. Pleasant Public Schools
Management's Discussion and Analysis
June 30, 2008

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and scholarships. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2008 and 2007:

TABLE I

| | Governmental Activities | |
|--|-------------------------|----------------|
| | June 30, | |
| | 2008 | 2007 |
| | (in millions) | (in millions) |
| Assets | | |
| Current assets | \$ 26.9 | \$ 33.6 |
| Capital assets, net of accumulated depreciation | 49.4 | 48.7 |
| Total assets | <u>76.3</u> | <u>82.3</u> |
| Liabilities | | |
| Current liabilities | 9.2 | 9.2 |
| Long-term liabilities | 43.6 | 51.6 |
| Total liabilities | <u>52.8</u> | <u>60.8</u> |
| Net Assets | | |
| Invested in capital assets - net of related debt | 15.7 | 12.3 |
| Restricted | 2.1 | 2.3 |
| Unrestricted | <u>5.7</u> | <u>6.9</u> |
| Total net assets | <u>\$ 23.5</u> | <u>\$ 21.5</u> |

Mt. Pleasant Public Schools
Management's Discussion and Analysis
June 30, 2008

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$23.5 million and \$21.5 million respectively at June 30, 2008 and 2007. Capital assets, net of related debt totaling \$15.7 million at June 30, 2008, compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$5.7 million) was unrestricted.

The \$5.7 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net assets for fiscal year 2008 and 2007.

TABLE 2

| | <u>2008</u> | <u>2007</u> |
|------------------------------------|---------------|---------------|
| | (in millions) | (in millions) |
| Revenues | | |
| Program revenue: | | |
| Charges for services | \$ 1.5 | \$ 1.6 |
| Operating grants and contributions | 10.3 | 10.4 |
| General revenue: | | |
| Property taxes | 13.5 | 12.5 |
| State aid - unrestricted | 18.9 | 20.0 |
| Other | <u>1.5</u> | <u>1.2</u> |
| Total revenues | 45.7 | 45.7 |

Mt. Pleasant Public Schools
Management's Discussion and Analysis
June 30, 2008

| | <u>2008</u> | <u>2007</u> |
|-----------------------------|---------------|---------------|
| | (in millions) | (in millions) |
| Expenses | | |
| Instruction | \$ 23.5 | \$ 23.2 |
| Support services | 15.0 | 15.0 |
| Food services | 1.3 | 1.2 |
| Athletics | 0.7 | 0.8 |
| Community services | 1.0 | 1.2 |
| Interest on long-term debt | <u>2.2</u> | <u>1.8</u> |
| Total expenses | <u>43.7</u> | <u>43.2</u> |
| Change in net assets | <u>\$ 2.0</u> | <u>\$ 2.5</u> |

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$43.7 million. Certain activities were partially funded from those who benefited from the programs (\$1.5 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$10.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$13.5 million in taxes, \$18.9 million in state foundation allowance, and \$1.5 million with our other revenues, i.e., interest and general entitlements. The School District experienced an increase in net assets of approximately \$2.0 million in the year end June 30, 2008.

As discussed above, the net cost shows the financial burden that was placed on the state and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

Mt. Pleasant Public Schools
Management's Discussion and Analysis
June 30, 2008

As the School District completed this year, the governmental funds reported a combined fund balance of \$21.1 million, which is a decrease of approximately \$1.8 million from last year. The individual funds remained constant in the current year with minimal changes, with the exception of an increase of \$454,290 in fund balance in the General Fund, due to unexpected revenues. The increase was offset by a decrease in the Capital Projects Fund of \$2,071,570 as a result of expenditures for the construction project.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted June 23, 2008. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were revisions made to the 2007/2008 General Fund original budget. Budgeted revenues were increased \$3.2 million due to an unexpected change in certain revenue from the state and federal grants and intermediate sources of revenue.

Budgeted expenditures were also increased \$4.9 million resulting from the School District's revised operating plan due to the fluctuations in revenue. The amount of transfers to other funds established in the amended budget was \$546,720 and represents support provided by the General Fund to other functions.

There were significant variances between the final budget and actual amounts. This variance was expected and planned due to \$2.5 million of unspent tribal grants and \$.8 million of carryover for various buildings and departments.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2008 and June 30, 2007, the School District had approximately \$83.5 and \$81.0 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment.

Mt. Pleasant Public Schools
Management's Discussion and Analysis
June 30, 2008

| | <u>2008</u> | <u>2007</u> |
|--------------------------|----------------|----------------|
| Land | \$ 0.2 | \$ 0.2 |
| Construction in progress | 2.7 | 0.2 |
| Building and additions | 62.6 | 62.6 |
| Buses and other vehicles | 15.5 | 15.4 |
| Equipment and furniture | <u>2.5</u> | <u>2.6</u> |
| Total capital assets | <u>\$ 83.5</u> | <u>\$ 81.0</u> |

This year's additions of approximately \$2.9 million included vehicles, cafeteria equipment, technology, and building renovations. This was offset by the disposal of buses and other vehicles of \$370,093.

Due to the passage of a \$14.5 million bond issue in May 2007, the district plans over the next 1.5 years to complete \$14.9 million worth of major capital projects. We anticipate capital additions will be approximately \$10 million in the 2008/2009 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$46.9 million in bonds and other obligations outstanding versus \$49.9 million in the previous year - a change of 6 percent. Those bonds and other notes and obligations consisted of the following:

| | <u>2008</u> | <u>2007</u> |
|-------------------|----------------|----------------|
| Bonds | \$ 46.6 | \$ 49.6 |
| Other obligations | <u>0.3</u> | <u>0.3</u> |
| Total | <u>\$ 46.9</u> | <u>\$ 49.9</u> |

Mt. Pleasant Public Schools
Management's Discussion and Analysis
June 30, 2008

The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "Qualified Debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$45.4 million is significantly below the approximately \$135.9 million statutorily imposed limit.

Other obligations include accrued vacation pay and sick leave and bus notes. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2008/2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2008/2009 fiscal year is 25 percent of the February 2008 and 75 percent of the September 2008 student counts. The 2008/2009 budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008, and is anticipated to be revised in January 2009. Approximately 83 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the state's ability to fund local school operations. Based on early enrollment data at the start of the 2008/2009 school year, we anticipated that the fall student count will be close to the estimates used in developing the 2008/2009 budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the state's school aid fund, the actual revenue received depends on the state's ability to collect revenues to fund its appropriation to school districts. The state periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the conference, the state estimates if there will be sufficient funds to fund the appropriation. If there are not sufficient funds, the legislature must revise the appropriation or proration of state aid will occur. This will have an impact on the School District's state projected revenues. The district will amend the budget if needed.

Mt. Pleasant Public Schools
Management's Discussion and Analysis
June 30, 2008

Requests for Information

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors with a general overview of the Districts finances and to demonstrate the Districts accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to the Chief Financial Officer, Mt. Pleasant Public Schools, 720 N. Kinney Avenue, Mt. Pleasant, MI 48858; telephone number 989-775-2304.

BASIC FINANCIAL STATEMENTS

Mt. Pleasant Public Schools
Statement of Net Assets
June 30, 2008

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash | \$ 12,066,227 |
| Taxes receivable | 28,225 |
| Accounts receivable | 12,224 |
| Due from other governmental units | 4,511,994 |
| Interest receivable | 65,476 |
| Inventory | 291,958 |
| Investments | 9,635,845 |
| Prepaid items | 133,669 |
| Other assets | 152,376 |
| Capital assets not being depreciated | 2,895,448 |
| Capital assets - net of accumulated depreciation | <u>46,533,153</u> |
| Total assets | <u>76,326,595</u> |
| Liabilities | |
| Accounts payable | 1,209,061 |
| Due to other governmental units | 193,639 |
| Due to agency fund activities | 13,960 |
| Payroll deductions and withholdings | 512,952 |
| Accrued expenditures | 1,185,111 |
| Accrued salaries payable | 2,079,355 |
| Deferred revenue | 666,391 |
| Noncurrent liabilities | |
| Due within one year | 3,430,965 |
| Due in more than one year | <u>43,567,265</u> |
| Total liabilities | <u>52,858,699</u> |
| Net assets | |
| Invested in capital assets, net of related debt | 15,680,229 |
| Restricted for: | |
| Debt service | 1,701,321 |
| Capital projects | 408,749 |
| Unrestricted | <u>5,677,597</u> |
| Total net assets | <u>\$ 23,467,896</u> |

See Accompanying Notes to Financial Statements

Mt. Pleasant Public Schools
Statement of Activities
For the Year Ended June 30, 2008

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets |
|---|----------------------|-------------------------|--|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Functions/Programs | | | | | |
| Governmental activities | | | | | |
| Instruction | \$ 23,564,459 | \$ 299,859 | \$ 7,050,096 | \$ - | \$ (16,214,504) |
| Supporting services | 15,029,979 | 95,826 | 2,630,246 | - | (12,303,907) |
| Food services | 1,284,239 | 468,837 | 643,683 | - | (171,719) |
| Athletic activities | 668,881 | 183,861 | - | - | (485,020) |
| Community services | 1,020,762 | 466,549 | 11,557 | - | (542,656) |
| Interest on long-term debt | 2,198,273 | - | - | - | (2,198,273) |
| Total governmental activities | \$ 43,766,593 | \$ 1,514,932 | \$ 10,335,582 | \$ - | (31,916,079) |
| General revenues | | | | | |
| Property taxes, levied for general purposes | | | | | 8,599,694 |
| Property taxes, levied for debt service | | | | | 4,891,956 |
| State aid - unrestricted | | | | | 18,870,229 |
| Interest and investment earnings | | | | | 998,788 |
| Gain on sale of capital assets | | | | | 30,334 |
| Other | | | | | 505,157 |
| Total general revenues | | | | | 33,896,158 |
| Change in net assets | | | | | 1,980,079 |
| Net assets - beginning | | | | | 21,487,817 |
| Net assets - ending | | | | | \$ 23,467,896 |

See Accompanying Notes to Financial Statements

Mt. Pleasant Public Schools
Governmental Funds
Balance Sheet
June 30, 2008

| | General Fund | 2007 Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|-------------------------------------|----------------------|----------------------------------|-----------------------------------|--------------------------------|
| Assets | | | | |
| Cash | \$ 5,635,894 | \$ 4,147,270 | \$ 2,283,063 | \$ 12,066,227 |
| Taxes receivable | - | - | 28,225 | 28,225 |
| Accounts receivable | - | - | 12,224 | 12,224 |
| Due from other funds | 108,627 | - | 38,922 | 147,549 |
| Due from other governmental units | 4,480,058 | - | 31,936 | 4,511,994 |
| Interest receivable | - | 65,476 | - | 65,476 |
| Inventory | 271,728 | - | 20,230 | 291,958 |
| Investments | 70,413 | 9,565,432 | - | 9,635,845 |
| Prepaid items | 133,669 | - | - | 133,669 |
| Total assets | <u>\$ 10,700,389</u> | <u>\$ 13,778,178</u> | <u>\$ 2,414,600</u> | <u>\$ 26,893,167</u> |
| Liabilities and fund balance | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 215,730 | \$ 944,287 | \$ 49,044 | \$ 1,209,061 |
| Due to other funds | - | 5,623 | 155,886 | 161,509 |
| Due to other governmental units | 193,639 | - | - | 193,639 |
| Payroll deductions and withholdings | 512,952 | - | - | 512,952 |
| Accrued expenditures | 726,587 | - | - | 726,587 |
| Accrued salaries payable | 2,079,355 | - | - | 2,079,355 |
| Deferred revenue | 844,564 | 65,476 | 28,225 | 938,265 |
| Total liabilities | <u>4,572,827</u> | <u>1,015,386</u> | <u>233,155</u> | <u>5,821,368</u> |

See Accompanying Notes to Financial Statements

Mt. Pleasant Public Schools
Governmental Funds
Balance Sheet
June 30, 2008

| | General Fund | 2007 Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-----------------------------|----------------------------------|-----------------------------------|--------------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Fund balance | | | | |
| Reserved for inventory | \$ 271,728 | \$ - | \$ - | \$ 271,728 |
| Reserved for prepaid items | 133,669 | - | - | 133,669 |
| Reserved for debt service | - | - | 1,701,321 | 1,701,321 |
| Reserved for capital projects | - | 12,762,792 | 408,749 | 13,171,541 |
| Reserved for grants | 2,584,057 | - | - | 2,584,057 |
| Designated for budget carryover | 769,554 | - | - | 769,554 |
| Other undesignated | <u>2,368,554</u> | <u>-</u> | <u>71,375</u> | <u>2,439,929</u> |
| | <u>6,127,562</u> | <u>12,762,792</u> | <u>2,181,445</u> | <u>21,071,799</u> |
| Total liabilities and fund balance | <u><u>\$ 10,700,389</u></u> | <u><u>\$ 13,778,178</u></u> | <u><u>\$ 2,414,600</u></u> | <u><u>\$ 26,893,167</u></u> |

See Accompanying Notes to Financial Statements

Mt. Pleasant Public Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2008

| | |
|---|-----------------------------|
| Total fund balances for governmental funds | \$ 21,071,799 |
| Total net assets for governmental activities in the statement of net assets is different because: | |
| Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds. | |
| Other revenue | 271,874 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| Capital assets not being depreciated | 2,895,448 |
| Capital assets - net of accumulated depreciation | 46,533,153 |
| Other long-term assets are not deferred in the governmental funds. | 152,376 |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. | |
| Accrued interest | (458,333) |
| Unemployment payable | (191) |
| Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. | |
| Compensated absences | (334,690) |
| Bonds payable | (45,953,372) |
| Bus notes | (19,740) |
| Other bonds | <u>(690,428)</u> |
| Net assets of governmental activities | <u>\$ 23,467,896</u> |

Mt. Pleasant Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

| | General Fund | 2007 Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------|----------------------------------|-----------------------------------|--------------------------------|
| Revenues | | | | |
| Local sources | \$ 10,528,095 | \$ 627,328 | \$ 6,370,521 | \$ 17,525,944 |
| Intermediate sources | 2,115,178 | - | - | 2,115,178 |
| State sources | 21,649,681 | - | 84,133 | 21,733,814 |
| Federal sources | 1,125,275 | - | 571,107 | 1,696,382 |
| Interdistrict sources | 2,542,407 | - | - | 2,542,407 |
| | <u>37,960,636</u> | <u>627,328</u> | <u>7,025,761</u> | <u>45,613,725</u> |
| Expenditures | | | | |
| Current | | | | |
| Education | | | | |
| Instruction | 21,368,547 | - | - | 21,368,547 |
| Supporting services | 13,408,355 | - | 93,558 | 13,501,913 |
| Food services | - | - | 1,176,473 | 1,176,473 |
| Athletic activities | - | - | 612,734 | 612,734 |
| Community services | 443,821 | - | 491,257 | 935,078 |
| Intergovernmental payments | 389,170 | - | - | 389,170 |
| Capital outlay | 1,431,086 | 2,698,898 | 13,483 | 4,143,467 |
| Debt service | | | | |
| Principal | 109,740 | - | 2,915,000 | 3,024,740 |
| Interest and other expenditures | 61,642 | - | 2,227,214 | 2,288,856 |
| | <u>37,212,361</u> | <u>2,698,898</u> | <u>7,529,719</u> | <u>47,440,978</u> |
| Excess (deficiency) of revenues over expenditures | <u>748,275</u> | <u>(2,071,570)</u> | <u>(503,958)</u> | <u>(1,827,253)</u> |

See Accompanying Notes to Financial Statements

Mt. Pleasant Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

| | <u>General Fund</u> | <u>2007 Capital Projects Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------------------|----------------------------|---|--|---|
| Other financing sources (uses) | | | | |
| Insurance recoveries | \$ 29,968 | \$ - | \$ - | \$ 29,968 |
| Proceeds from sale of capital assets | 30,334 | - | - | 30,334 |
| Transfers in | 196,415 | - | 550,702 | 747,117 |
| Transfers out | <u>(550,702)</u> | <u>-</u> | <u>(196,415)</u> | <u>(747,117)</u> |
| Total other financing sources (uses) | <u>(293,985)</u> | <u>-</u> | <u>354,287</u> | <u>60,302</u> |
| Net change in fund balance | 454,290 | (2,071,570) | (149,671) | (1,766,951) |
| Fund balance - beginning | <u>5,673,272</u> | <u>14,834,362</u> | <u>2,331,116</u> | <u>22,838,750</u> |
| Fund balance - ending | <u><u>\$ 6,127,562</u></u> | <u><u>\$ 12,762,792</u></u> | <u><u>\$ 2,181,445</u></u> | <u><u>\$ 21,071,799</u></u> |

See Accompanying Notes to Financial Statements

Mt. Pleasant Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - Total governmental funds \$ (1,766,951)

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as
revenue in the funds.

| | |
|----------------|--------|
| Property taxes | 28,225 |
| Other revenue | 44,420 |

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of
those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|----------------------|-------------|
| Depreciation expense | (2,222,012) |
| Capital outlay | 2,920,540 |

Expenses are recorded when incurred in the statement of activities.

| | |
|----------------------|----------|
| Interest | (96,352) |
| Unemployment claims | 12,219 |
| Compensated absences | 1,295 |

Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute
to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does
not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces
the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts
and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

| | |
|--|------------------|
| Repayments of long-term debt | 3,024,740 |
| Amortization of premiums | 186,935 |
| Amortization of deferred amount on refunding | <u>(152,980)</u> |

Change in net assets of governmental activities **\$ 1,980,079**

Mt. Pleasant Public Schools
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2008

| | Private Purpose Trust Funds | Agency Funds |
|-------------------------------|-----------------------------------|-------------------|
| Assets | | |
| Cash | \$ 6,851 | \$ 268,100 |
| Due from other funds | <u>-</u> | <u>13,960</u> |
| Total assets | <u>6,851</u> | <u>\$ 282,060</u> |
| Liabilities | | |
| Accounts payable | - | \$ 291 |
| Due to agency fund activities | <u>-</u> | <u>281,769</u> |
| Total liabilities | <u>-</u> | <u>\$ 282,060</u> |
| Net assets | | |
| Reserved for scholarships | <u>\$ 6,851</u> | |

See Accompanying Notes to Financial Statements

Mt. Pleasant Public Schools
Fiduciary Funds
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2008

| | <u>Private Purpose Trust Funds</u> |
|----------------------------|--|
| Additions | |
| Local sources | \$ 53 |
| Deductions | |
| | <u>-</u> |
| Change in net assets | 53 |
| Net assets - beginning | <u>6,798</u> |
| Net assets - ending | <u><u>\$ 6,851</u></u> |

See Accompanying Notes to Financial Statements

Mt. Pleasant Public Schools
Notes to Financial Statements
June 30, 2008

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Mt. Pleasant Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as

Mt. Pleasant Public Schools
Notes to Financial Statements
June 30, 2008

under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2007 Capital Projects Fund – The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service, Athletics, Bookstore, and Community Services Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Fund – The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Private Purpose Trust Funds are used to account for contributions received by the School District to provide donor-specified services that benefit the School District. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Mt. Pleasant Public Schools
Notes to Financial Statements
June 30, 2008

Property taxes and other receivable are shown net of an allowance for uncollectible amounts.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2008, the rates are as follows per \$1,000 of assessed value.

| | |
|--------------------|-------|
| General Fund | |
| Homestead | 0.00 |
| Nonhomestead | 18.00 |
| Debt Service Funds | |
| Homestead | 5.48 |
| Nonhomestead | 5.48 |

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County and remitted to the School District by May 15.

Investments – Investments are stated at fair value based on a quoted market price. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

| | |
|--------------------------|------------|
| Buildings and additions | 40 years |
| Equipment and furniture | 5-10 years |
| Buses and other vehicles | 7-10 years |

Compensated Absences – The liability for compensated absences reported in the district-wide statements consists of earned but unused accumulated vacation, sick leave, and retirement benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as deferred interest charges, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred interest charges.

Mt. Pleasant Public Schools
Notes to Financial Statements
June 30, 2008

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuances costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the School District's financial statements.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Upcoming Accounting and Reporting Change

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions*. The new pronouncement provides guidance for school districts in recognizing the cost of retiree health care. The new rules will cause district-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

The Government Accounting Standards Board has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of existing pollution; it does not include prevention or control activities or remediation required upon the retirement of an asset. In general, the new rules will cause district-wide financial statements to recognize a liability on the current value of expected costs as estimated using the expected cash flows method. This statement is effective for the year ending June 30, 2009.

The Government Accounting Standards Board has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. In general, the new rules will cause district-wide financial statements to include intangible assets as capital assets. This statement is effective for the year ending June 30, 2010.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancelling all encumbrances. These appropriations are reestablished at the beginning of the year.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

Mt. Pleasant Public Schools
Notes to Financial Statements
June 30, 2008

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

| Function | Final Budget | Amount of Expenditures | Budget Variances |
|----------------------------|-----------------|---------------------------|---------------------|
| General Fund | | | |
| Intergovernmental payments | \$ 348,700 | \$ 389,170 | \$ 40,470 |
| Transfers out | 546,720 | 550,702 | 3,982 |

Compliance Bond Proceeds

The 2007 School Building and Site Bonds include capital project activities funded with bonds issued after May 1, 1994. The following is a summary of the revenue and expenditures in the 2007 Capital Projects Fund from the inception of the funds through the current fiscal year:

| | |
|--------------|--------------|
| Revenues | \$15,624,950 |
| Expenditures | 2,862,158 |

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

| | Governmental Activities | Fiduciary Funds | Total Primary Government |
|-------------|----------------------------|--------------------|--------------------------------|
| Cash | \$ 12,066,227 | \$ 274,951 | \$ 12,341,178 |
| Investments | 9,635,845 | - | 9,635,845 |
| | <u>\$ 21,702,072</u> | <u>\$ 274,951</u> | <u>\$ 21,977,023</u> |

The breakdown between deposits and investments for the School District is as follows:

| | |
|--|----------------------|
| Deposits (checking, savings accounts, money markets, certificates of deposit) | \$ 8,017,195 |
| Investments in securities, mutual funds, and similar vehicles | 13,950,384 |
| Petty cash and cash on hand | <u>9,444</u> |
| Total | <u>\$ 21,977,023</u> |

Mt. Pleasant Public Schools
Notes to Financial Statements
June 30, 2008

As of year end, the District had the following investments:

| Investment | Fair Value | Maturities | Rating | Rating Organization |
|------------------------------------|----------------------|-------------------|--------|---------------------|
| Michigan Liquid Asset Fund (MICMS) | \$ 167,269 | Daily 6 months | AAA | S & P |
| Michigan Liquid Asset Fund (MIMAX) | 70,413 | average | AAA | S & P |
| Michigan Liquid Asset Fund (MICMS) | 4,147,270 | average | AAA | S & P |
| HSBC Finance Corp | 1,744,173 | average | A-1+ | S & P |
| Toyota Motor Credit Corp | 1,173,731 | average | A-1+ | S & P |
| FNMA Global Benchmark Notes | 1,443,232 | average | AAA | S & P |
| FHLB Global Bonds | 780,382 | average | AAA | S & P |
| FHLB Tap Bonds | 905,009 | average | AAA | S & P |
| FHLB Global Notes | 533,039 | average | AAA | S & P |
| FHLMC Global Notes | 662,594 | average | AAA | S & P |
| FNMA Global Notes | 731,088 | average | AAA | S & P |
| FNMA Disc Note | <u>1,592,184</u> | average | A-1+ | S & P |
| | <u>\$ 13,950,384</u> | | | |

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$8,336,301 of the District's bank balance of \$8,636,301 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the District's investment policy, the District's investments in the Michigan Liquid Asset Fund are held by a counterparty and not insured.

Interest rate risk – The District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The District's investment policy has designated two banks for deposits of its funds.

Mt. Pleasant Public Schools
Notes to Financial Statements
June 30, 2008

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-------------|------------|-------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 196,550 | \$ - | \$ - | \$ 196,550 |
| Construction in progress | 202,334 | 2,698,898 | 202,334 | 2,698,898 |
| Total capital assets not being depreciated | 398,884 | 2,698,898 | 202,334 | 2,895,448 |
| Capital assets being depreciated | | | | |
| Buildings and additions | 62,608,161 | - | - | 62,608,161 |
| Equipment and furniture | 15,351,357 | 176,795 | - | 15,528,152 |
| Buses and other vehicles | 2,611,203 | 247,181 | 370,093 | 2,488,291 |
| Total capital assets being depreciated | 80,570,721 | 423,976 | 370,093 | 80,624,604 |
| Less accumulated depreciation for | | | | |
| Buildings and additions | 19,538,405 | 1,248,286 | - | 20,786,691 |
| Equipment and furniture | 10,723,626 | 794,068 | - | 11,517,694 |
| Buses and other vehicles | 1,977,501 | 179,658 | 370,093 | 1,787,066 |
| Total accumulated depreciation | 32,239,532 | 2,222,012 | 370,093 | 34,091,451 |
| Net capital assets being depreciated | 48,331,189 | (1,798,036) | - | 46,533,153 |
| Net capital assets | \$ 48,730,073 | \$ 900,862 | \$ 202,334 | \$ 49,428,601 |

Depreciation expense was charged to activities of the School District as follows:

Governmental activities

| | |
|-------------------------------|---------------------|
| Instruction | \$ 1,262,974 |
| Support services | 798,021 |
| Food services | 69,535 |
| Athletic activities | 36,215 |
| Community services | 55,267 |
| Total governmental activities | <u>\$ 2,222,012</u> |

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

| Due From Fund | Due to Fund | Amount |
|----------------|----------------------------|-------------------|
| Nonmajor funds | Nonmajor funds | \$ 38,922 |
| General Fund | Nonmajor funds | 103,004 |
| Agency Fund | Nonmajor funds | 13,960 |
| General Fund | 2007 Capital Projects Fund | 5,623 |
| | | <u>\$ 161,509</u> |

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

| | Transfers Out | | |
|-----------------------------|-------------------|-----------------------------|-------------------|
| | General Fund | Nonmajor Governmental Funds | Total |
| Transfers in | | | |
| General Fund | \$ - | \$ 196,415 | \$ 196,415 |
| Nonmajor governmental funds | 550,702 | - | 550,702 |
| | <u>\$ 550,702</u> | <u>\$ 196,415</u> | <u>\$ 747,117</u> |

Transfers were made to cover the costs of School District programs that were in excess of revenues generated from those activities in the Athletic Fund. Transfers made into the General Fund from the Food Service and Community Services Funds were to reimburse the School District for allowable expenditures.

Mt. Pleasant Public Schools
Notes to Financial Statements
June 30, 2008

Note 6 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

| | <u>Unavailable</u> | <u>Unearned</u> |
|---|--------------------|-----------------|
| Grant and categorical aid payments received prior to meeting all eligibility requirements | \$ 271,874 | \$ 666,391 |

Note 7 - State Aid Anticipation Note

The School District has in previous years issued state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes were necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th. In the current year no state aid anticipation notes were issued, however, the District borrowed from their local financial institution to meet cash flow needs.

Short-term debt activity for the year was as follows:

| | <u>Beginning Balance</u> | <u>Proceeds</u> | <u>Repayments</u> | <u>Ending Balance</u> |
|-----------------------------|------------------------------|-------------------|---------------------|---------------------------|
| State aid anticipation note | \$ 3,800,000 | \$ - | \$ 3,800,000 | \$ - |
| Bank line of credit | - | 500,000 | 500,000 | - |
| | <u>\$ 3,800,000</u> | <u>\$ 500,000</u> | <u>\$ 4,300,000</u> | <u>\$ -</u> |

Note 8 - Commitment

Copy Agreement

As of year end, the School District had entered into a copy agreement with Central Michigan University. The agreement runs through December 31, 2011. The District's monthly payment is \$9,020. There may be adjustments to the total annual payments based on actual usage. Future payments for the copy agreement are as follows:

Year Ending June 30,

| | |
|------|-------------------|
| 2009 | \$ 108,240 |
| 2010 | 108,240 |
| 2011 | 108,240 |
| 2012 | <u>54,120</u> |
| | <u>\$ 378,840</u> |

Expenditures for the copy agreement were \$107,436 for fiscal year ending June 30, 2008.

Construction Contracts

As of year end, the School District had the following construction contracts in progress:

| | <u>Total Contract</u> | <u>Remaining Construction Commitment at Year End</u> | <u>Contract Payable at Year End</u> |
|----------------------|-----------------------|--|---|
| Project | | | |
| Construction project | <u>\$ 8,392,179</u> | <u>\$ 5,785,498</u> | <u>\$ 944,287</u> |

Mt. Pleasant Public Schools
Notes to Financial Statements
June 30, 2008

Note 9 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences.

Long-term obligation activity is summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amount Due Within One Year |
|------------------------------|----------------------|-------------|---------------------|----------------------|----------------------------------|
| Government obligation bonds | \$ 48,275,000 | \$ - | \$ 2,915,000 | \$ 45,360,000 | \$ 3,270,000 |
| Other bonds | 780,428 | - | 90,000 | 690,428 | 141,225 |
| Bus notes | 39,480 | - | 19,740 | 19,740 | 19,740 |
| Compensated absences | 335,985 | - | 1,295 | 334,690 | - |
| Deferred amount on refunding | (1,509,771) | - | (142,096) | (1,367,675) | - |
| Premium on bonds | 2,147,982 | - | 186,935 | 1,961,047 | - |
| Deferred issuance costs | (163,260) | - | (10,884) | (152,376) | - |
| Total | <u>\$ 49,905,844</u> | <u>\$ -</u> | <u>\$ 3,059,990</u> | <u>\$ 46,845,854</u> | <u>\$ 3,430,965</u> |

General obligation bonds payable at year end, consists of the following:

| | |
|--|----------------------|
| \$48,280,000, 1997 Building and Site Refunding Bonds; principal due in annual installments ranging from \$2,080,000 to \$2,255,000, including interest at rates ranging from 4.9% to 5.75%, with a final maturity in 2010. | \$ 4,335,000 |
| \$26,590,000, 2005 Refunding Bonds; principal due in annual installments ranging from \$1,000,000 to \$3,075,000, including interest at rates ranging from 3.0% to 5.0%, with a maturity in 2018. | 26,590,000 |
| \$14,435,000, 2007 School Building and Site Bonds; principal due in annual installments ranging from \$190,000 to \$1,475,000, including interest at rates ranging from 4.0% to 5.5%, with a maturity in 2022. | <u>14,435,000</u> |
| Total general obligation bonded debt | <u>\$ 45,360,000</u> |

Future principal and interest requirements for bonded debt are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|----------------------|----------------------|----------------------|
| 2009 | \$ 3,270,000 | \$ 2,143,870 | \$ 5,413,870 |
| 2010 | 3,480,000 | 2,004,350 | 5,484,350 |
| 2011 | 3,415,000 | 1,850,100 | 5,265,100 |
| 2012 | 3,750,000 | 1,682,850 | 5,432,850 |
| 2013 | 3,925,000 | 1,502,100 | 5,427,100 |
| 2014-2018 | 21,645,000 | 4,538,262 | 26,183,262 |
| 2019-2022 | <u>5,875,000</u> | <u>736,250</u> | <u>6,611,250</u> |
| Total | <u>\$ 45,360,000</u> | <u>\$ 14,457,782</u> | <u>\$ 59,817,782</u> |

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$1,701,321 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

| | |
|---|-------------------|
| \$830,580, Durant Bonds; principal due in annual installments ranging from \$46,225 to \$291,908, including interest at 4.76% with a final maturity in 2013. | \$ 490,428 |
| \$800,000, 2000 Energy Bonds; principal due in annual installments ranging from \$95,000 to \$105,000, including interest at 4.85% to 5.0% with a final maturity in 2010. | <u>200,000</u> |
| | <u>\$ 690,428</u> |

Durant Bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Mt. Pleasant Public Schools
Notes to Financial Statements
June 30, 2008

Future principal and interest requirements for the Durant Bonds and the 2000 Energy Bonds are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|-------------------|-------------------|-------------------|
| 2009 | \$ 141,225 | \$ 22,055 | \$ 163,280 |
| 2010 | 153,423 | 15,152 | 168,575 |
| 2011 | 50,730 | 7,596 | 58,326 |
| 2012 | 53,142 | 5,181 | 58,323 |
| 2013 | 291,908 | 99,973 | 391,881 |
| Total | <u>\$ 690,428</u> | <u>\$ 149,957</u> | <u>\$ 840,385</u> |

Bus notes consist of the following:

| Date | Original Amount | Due Date | Interest Rate | Remaining to Maturity | |
|-----------------|-----------------|-----------------|---------------|-----------------------|------------------|
| | | | | Interest | Principal |
| August 29, 2003 | \$ 98,700 | August 29, 2008 | 3.0% | <u>\$ 632</u> | <u>\$ 19,740</u> |

Compensated Absences

Accrued compensated absences at year end, consists of \$334,690 in accrued vacation, sick leave, and retirement benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Defeased Debt

In the prior year, the School District defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is May 1, 2018. As of year end, the amount of defeased debt outstanding but removed for the 1997 School and Building Site Bonds is \$27,325,000.

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for boiler and medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

For all other coverage the School District participates in a shared risk pool that operates as a common risk-sharing management program for school districts in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had \$24,604 unemployment compensation expense for the year. No provision has been made for possible future claims.

Note 11 - Defined Benefit Pension Plan

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPSERS), which is a cost-sharing public employee retirement system (PERS).

Mt. Pleasant Public Schools
Notes to Financial Statements
June 30, 2008

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. The report provides information for the plan as a whole and information helpful for understanding the scale of the information presented relative to the School. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671 or calling 800-381-5111.

Funding Policy

The School is required by State statute to contribute to MPERS an actuarially determined percentage of payroll for all participating employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPERS funding for the three-year period beginning July 1, 2005 through June 30, 2008.

| | 2008 | 2007 | 2006 |
|--|---------------|---------------|---------------|
| Funding percentage range | 16.72-17.74% | 16.34-17.74% | 14.87-16.34% |
| Total payroll | \$ 20,722,643 | \$ 20,570,183 | \$ 20,570,183 |
| Total covered payroll | 20,271,363 | 20,286,532 | 20,286,532 |
| School contributions | 3,437,173 | 3,553,354 | 3,246,127 |
| Employee MIP contributions | 604,626 | 593,995 | 573,574 |
| Tax deferred payment program | 140,227 | 126,401 | 153,992 |
| Portion of school contribution covering health, dental and vision benefits | 39% | 37% | 40% |

Trend Information

Ten-year historical trend information is presented in the September 30, 2007, PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2006, the latest date for which information is available, approximates \$ 49.1 billion and \$ 43.0 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPERS was less than 1% for the year ended September 30, 2007.

Post Employment Benefits

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPERS).

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2007, statewide expenditures of \$ 654 million were recognized for post-retirement health care, dental and vision. This represented approximately 18% of the total expenditures of the Michigan Public School Employees Retirement System.

Mt. Pleasant Public Schools
Notes to Financial Statements
June 30, 2008

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2008.

The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.

Note 13 – Subsequent Events

Subsequent to June 30, 2008, the School District sold the vocational house, which is classified as inventory as of June 30, 2008 for \$237,077.

REQUIRED SUPPLEMENTAL INFORMATION

Mt. Pleasant Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

| | Budgeted Amounts | | | Over (Under) Budget |
|---|------------------|---------------|---------------|---------------------------|
| | Original | Final | Actual | |
| Revenues | | | | |
| Local sources | \$ 10,383,545 | \$ 10,436,830 | \$ 10,528,095 | \$ 91,265 |
| Intermediate sources | - | 2,115,180 | 2,115,178 | (2) |
| State sources | 21,228,020 | 22,191,455 | 21,649,681 | (541,774) |
| Federal sources | 1,350,895 | 1,381,515 | 1,125,275 | (256,240) |
| Interdistrict sources | 2,400,170 | 2,356,365 | 2,542,407 | 186,042 |
| Total revenues | 35,362,630 | 38,481,345 | 37,960,636 | (520,709) |
| Expenditures | | | | |
| Instruction | | | | |
| Basic programs | 14,428,910 | 16,036,015 | 14,853,699 | (1,182,316) |
| Added needs | 6,211,655 | 6,463,950 | 6,284,803 | (179,147) |
| Adult and continuing education | 237,385 | 305,605 | 230,045 | (75,560) |
| Supporting services | | | | |
| Pupil | 2,754,660 | 3,171,575 | 2,836,767 | (334,808) |
| Instructional staff | 2,068,260 | 2,281,490 | 1,941,671 | (339,819) |
| General administration | 398,045 | 413,460 | 362,692 | (50,768) |
| School administration | 2,019,755 | 2,047,695 | 2,029,372 | (18,323) |
| Business | 500,060 | 525,125 | 497,316 | (27,809) |
| Operations and maintenance | 3,717,085 | 3,865,505 | 3,609,762 | (255,743) |
| Pupil transportation services | 1,453,890 | 1,441,945 | 1,359,809 | (82,136) |
| Central | 822,845 | 845,695 | 763,001 | (82,694) |
| Other | 11,500 | 11,500 | 7,965 | (3,535) |
| Community services | 480,165 | 548,535 | 443,821 | (104,714) |
| Intergovernmental payments | - | 348,700 | 389,170 | 40,470 |
| Capital outlay | 1,159,135 | 2,890,700 | 1,431,086 | (1,459,614) |
| Debt service | | | | |
| Principal | 109,740 | 109,740 | 109,740 | - |
| Interest and fiscal charges | 115,785 | 71,945 | 61,642 | (10,303) |
| Total expenditures | 36,488,875 | 41,379,180 | 37,212,361 | (4,166,819) |
| Excess (deficiency) of revenues over expenditures | (1,126,245) | (2,897,835) | 748,275 | 3,646,110 |

Mt. Pleasant Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Over (Under) Budget |
|---------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Original | Final | | |
| Other financing sources (uses) | | | | |
| Insurance recoveries | \$ 30,000 | \$ 30,000 | \$ 29,968 | \$ (32) |
| Proceeds from sale of capital assets | 230,000 | 260,330 | 30,334 | (229,996) |
| Transfers in | 140,080 | 211,555 | 196,415 | (15,140) |
| Transfers out | <u>(546,720)</u> | <u>(546,720)</u> | <u>(550,702)</u> | <u>(3,982)</u> |
| Total other financing sources (uses) | <u>(146,640)</u> | <u>(44,835)</u> | <u>(293,985)</u> | <u>(249,150)</u> |
| Net change in fund balance | (1,272,885) | (2,942,670) | 454,290 | 3,396,960 |
| Fund balance - beginning | <u>5,673,272</u> | <u>5,673,272</u> | <u>5,673,272</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 4,400,387</u> | <u>\$ 2,730,602</u> | <u>\$ 6,127,562</u> | <u>\$ 3,396,960</u> |

OTHER SUPPLEMENTAL INFORMATION

Mt. Pleasant Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2008

| | Special Revenue Funds | | | | Debt Service Funds | | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|-----------------------|-----------------|------------------|--------------------|---------------------|------------------|-----------------------|-----------------------------------|
| | Food Service | Athletics | Bookstore | Community Services | 2005 Refunding | 2007 Issue | | |
| Assets | | | | | | | | |
| Cash | \$ 136,190 | \$ 8,000 | \$ - | \$ 150 | \$ 1,709,500 | \$ 19,379 | \$ 409,844 | \$ 2,283,063 |
| Taxes receivable | - | - | - | - | 28,225 | - | - | 28,225 |
| Accounts receivable | 12,211 | 13 | - | - | - | - | - | 12,224 |
| Due from other funds | - | - | 11,032 | 27,890 | - | - | - | 38,922 |
| Due from other governmental units | 30,986 | - | - | 950 | - | - | - | 31,936 |
| Inventory | 20,230 | - | - | - | - | - | - | 20,230 |
| Total assets | \$ 199,617 | \$ 8,013 | \$ 11,032 | \$ 28,990 | \$ 1,737,725 | \$ 19,379 | \$ 409,844 | \$ 2,414,600 |
| Liabilities and fund balance | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable | \$ 42,242 | \$ - | \$ 526 | \$ 6,035 | \$ 241 | \$ - | \$ - | \$ 49,044 |
| Due to other funds | 119,461 | 8,013 | - | - | 26,992 | 325 | 1,095 | 155,886 |
| Deferred revenue | - | - | - | - | 28,225 | - | - | 28,225 |
| Total liabilities | 161,703 | 8,013 | 526 | 6,035 | 55,458 | 325 | 1,095 | 233,155 |
| Fund balance | | | | | | | | |
| Reserved for debt service | - | - | - | - | 1,682,267 | 19,054 | - | 1,701,321 |
| Reserved for capital projects | - | - | - | - | - | - | 408,749 | 408,749 |
| Other undesignated | 37,914 | - | 10,506 | 22,955 | - | - | - | 71,375 |
| Total fund balance | 37,914 | - | 10,506 | 22,955 | 1,682,267 | 19,054 | 408,749 | 2,181,445 |
| Total liabilities and fund balance | \$ 199,617 | \$ 8,013 | \$ 11,032 | \$ 28,990 | \$ 1,737,725 | \$ 19,379 | \$ 409,844 | \$ 2,414,600 |

Mt. Pleasant Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

| | Special Revenue Funds | | | | Debt Service Funds | | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|-----------------------|------------------|------------------|--------------------|---------------------|------------------|-----------------------|-----------------------------------|
| | Food Service | Athletics | Bookstore | Community Services | 2005 Refunding | 2007 Issue | | |
| Revenues | | | | | | | | |
| Local sources | \$ 608,872 | \$ 183,861 | \$ 95,826 | \$ 525,158 | \$ 4,330,490 | \$ 614,927 | \$ 11,387 | \$ 6,370,521 |
| State sources | 84,133 | - | - | - | - | - | - | 84,133 |
| Federal sources | 559,550 | - | - | 11,557 | - | - | - | 571,107 |
| Total revenues | <u>1,252,555</u> | <u>183,861</u> | <u>95,826</u> | <u>536,715</u> | <u>4,330,490</u> | <u>614,927</u> | <u>11,387</u> | <u>7,025,761</u> |
| Expenditures | | | | | | | | |
| Current | | | | | | | | |
| Education | | | | | | | | |
| Supporting services | - | - | 93,558 | - | - | - | - | 93,558 |
| Food services | 1,176,473 | - | - | - | - | - | - | 1,176,473 |
| Athletic activities | - | 612,734 | - | - | - | - | - | 612,734 |
| Community services | - | - | - | 491,257 | - | - | - | 491,257 |
| Capital outlay | 3,500 | - | - | - | - | - | 9,983 | 13,483 |
| Debt service | | | | | | | | |
| Principal | - | - | - | - | 2,915,000 | - | - | 2,915,000 |
| Interest and other expenditures | - | - | - | - | 1,631,341 | 595,873 | - | 2,227,214 |
| Total expenditures | <u>1,179,973</u> | <u>612,734</u> | <u>93,558</u> | <u>491,257</u> | <u>4,546,341</u> | <u>595,873</u> | <u>9,983</u> | <u>7,529,719</u> |
| Excess (deficiency) of revenues over expenditures | <u>72,582</u> | <u>(428,873)</u> | <u>2,268</u> | <u>45,458</u> | <u>(215,851)</u> | <u>19,054</u> | <u>1,404</u> | <u>(503,958)</u> |
| Other financing sources (uses) | | | | | | | | |
| Transfers in | - | 550,702 | - | - | - | - | - | 550,702 |
| Transfers out | (35,387) | (121,829) | - | (39,199) | - | - | - | (196,415) |
| Total other financing sources (uses) | <u>(35,387)</u> | <u>428,873</u> | <u>-</u> | <u>(39,199)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>354,287</u> |
| Net change in fund balance | 37,195 | - | 2,268 | 6,259 | (215,851) | 19,054 | 1,404 | (149,671) |
| Fund balance - beginning | 719 | - | 8,238 | 16,696 | 1,898,118 | - | 407,345 | 2,331,116 |
| Fund balance - ending | <u>\$ 37,914</u> | <u>\$ -</u> | <u>\$ 10,506</u> | <u>\$ 22,955</u> | <u>\$ 1,682,267</u> | <u>\$ 19,054</u> | <u>\$ 408,749</u> | <u>\$ 2,181,445</u> |

Mt. Pleasant Public Schools
Other Supplemental Information
Schedule of Outstanding Bonded and Note Indebtedness
June 30, 2008

| Year Ending June 30, | 1997 School Building and Site Bonds | 1998 Durant Bond | 2000 Energy Bond | 2005 Refunding Bonds | 2007 School Building and Site Bonds | Bus Notes | Total |
|--|---|---------------------|-------------------------|-------------------------|---|-------------------|----------------------|
| 2009 | \$ 2,080,000 | \$ 46,225 | \$ 95,000 | \$ 1,000,000 | \$ 190,000 | \$ 19,740 | \$ 3,430,965 |
| 2010 | 2,255,000 | 48,423 | 105,000 | 1,000,000 | 225,000 | - | 3,633,423 |
| 2011 | - | 50,730 | - | 3,065,000 | 350,000 | - | 3,465,730 |
| 2012 | - | 53,142 | - | 3,075,000 | 675,000 | - | 3,803,142 |
| 2013 | - | 291,908 | - | 3,075,000 | 850,000 | - | 4,216,908 |
| 2014 | - | - | - | 3,075,000 | 1,025,000 | - | 4,100,000 |
| 2015 | - | - | - | 3,075,000 | 1,200,000 | - | 4,275,000 |
| 2016 | - | - | - | 3,075,000 | 1,300,000 | - | 4,375,000 |
| 2017 | - | - | - | 3,075,000 | 1,320,000 | - | 4,395,000 |
| 2018 | - | - | - | 3,075,000 | 1,425,000 | - | 4,500,000 |
| 2019 | - | - | - | - | 1,450,000 | - | 1,450,000 |
| 2020 | - | - | - | - | 1,475,000 | - | 1,475,000 |
| 2021 | - | - | - | - | 1,475,000 | - | 1,475,000 |
| 2022 | - | - | - | - | 1,475,000 | - | 1,475,000 |
| Total | <u>\$ 4,335,000</u> | <u>\$ 490,428</u> | <u>\$ 200,000</u> | <u>\$ 26,590,000</u> | <u>\$ 14,435,000</u> | <u>\$ 19,740</u> | <u>\$ 46,070,168</u> |
| Principal payments due the first day of | May 1 | May 15 | May 1 | May 1 | May 1 | Various | |
| Interest payments due the first day of | May 1 and November 1 | May 15 | May 1 and November 1 | May 1 and November 1 | May 1 and November 1 | Various | |
| Interest rate | 4.9% - 5.75% | 4.76% | 4.85% - 5.0% | 3.0% - 5.0% | 4.0% - 5.5% | 3% | |
| Original issue | <u>\$ 48,280,000</u> | <u>\$ 830,580</u> | <u>\$ 800,000</u> | <u>\$ 26,590,000</u> | <u>\$ 14,435,000</u> | <u>\$ 390,500</u> | |

Mt. Pleasant Public Schools

Mt. Pleasant, Michigan

Single Audit Report

June 30, 2008

C O N T E N T S

| | <u>Page</u> |
|---|-------------|
| Single Audit Report | |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 1 |
| Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 | 3 |
| Schedule of Expenditures of Federal Awards | 5 |
| Notes to the Schedule of Expenditures of Federal Awards | 8 |
| Schedule of Findings and Questioned Costs | 9 |
| Summary Schedule of Prior Audit Findings | 13 |

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Education
Mt. Pleasant Public Schools
Mt. Pleasant, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mt. Pleasant Public Schools as of and for the year ended June 30, 2008, which collectively comprise Mt. Pleasant Public Schools' basic financial statements and have issued our report thereon dated October 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Mt. Pleasant Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mt. Pleasant Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mt. Pleasant Public Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the significant deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as noted at 08-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mt. Pleasant Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted other matters involving the internal control over financial reporting, which we have reported to management of Mt. Pleasant Public Schools in a separate letter dated October 15, 2008.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 15, 2008

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Education
Mt. Pleasant Public Schools
Mt. Pleasant, Michigan

Compliance

We have audited the compliance of Mt. Pleasant Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Mt. Pleasant Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mt. Pleasant Public Schools' management. Our responsibility is to express an opinion on Mt. Pleasant Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mt. Pleasant Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mt. Pleasant Public Schools' compliance with those requirements.

In our opinion, Mt. Pleasant Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as it 08-2, 08-3, and 08-4.

Internal Control over Compliance

The management of Mt. Pleasant Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mt. Pleasant Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the significant deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as noted at 08-4.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mt. Pleasant Public Schools as of and for the year ended June 30, 2008, and have issued our report thereon dated October 15, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Mt. Pleasant Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Mt. Pleasant Public Schools' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Mt. Pleasant Public Schools' response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 15, 2008

Mt. Pleasant Public Schools
Schedule of Expenditures of Federal Awards
June 30, 2008

| Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u> | | Federal CFDA Number | Approved Grant Amount | Accrued (Deferred) Revenue July 1, 2007 | (Memo Only) Prior Year Expenditures | Current Year Expenditures | Current Year Receipts | Adjustments | Accrued (Deferred) Revenue June 30, 2008 |
|--|--------|---------------------------|-----------------------------|---|---|------------------------------|-----------------------------|-------------|--|
| U.S. Department of Agriculture | | | | | | | | | |
| Nutrition Cluster | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | |
| 071970 National School Breakfast | 10.553 | \$ | 109,745 | \$ - | \$ 96,594 | \$ 13,151 | \$ 13,151 | \$ - | \$ - |
| 081970 National School Breakfast | | | 101,836 | - | - | 101,836 | 95,975 | - | 5,861 |
| | | | | - | | 114,987 | 109,126 | - | 5,861 |
| National School Lunch | | | | | | | | | |
| 071950 Sec. 4 - Total Servings | 10.555 | | 69,803 | - | 61,270 | 8,533 | 8,533 | - | - |
| 081950 Sec. 4 - Total Servings | | | 58,736 | - | - | 58,736 | 57,459 | - | 1,277 |
| 071960 Sec. 11 - Free and Reduced | | | 315,750 | 12,241 | 289,662 | 26,088 | 38,329 | - | - |
| 081960 Sec. 11 - Free and Reduced | | | 290,441 | - | - | 290,441 | 276,144 | - | 14,297 |
| | | | | 12,241 | | 383,798 | 380,465 | - | 15,574 |
| Total Nutrition Cluster | | | | 12,241 | | 498,785 | 489,591 | - | 21,435 |
| Passed through Michigan Department of Education | | | | | | | | | |
| Food Distribution | | | | | | | | | |
| Entitlement | 10.550 | | 60,655 | - | - | 60,655 | 60,655 | - | - |
| Bonus | | | 110 | - | - | 110 | 110 | - | - |
| | | | | - | | 60,765 | 60,765 | - | - |
| Child Care Food Program | | | | | | | | | |
| 071920 CCFP Meals | 10.558 | | 8,296 | 865 | 6,551 | 1,745 | 2,634 | 24 | - |
| 081920 CCFP Meals | | | 7,563 | - | - | 7,563 | 6,760 | - | 803 |
| 072010 Child care cash in lieu | | | 2,157 | - | 1,506 | 651 | 651 | - | - |
| 082010 Child care cash in lieu | | | 1,598 | - | - | 1,598 | 1,451 | - | 147 |
| | | | | 865 | | 11,557 | 11,496 | 24 | 950 |
| Total Department of Agriculture | | | | 13,106 | | 571,107 | 561,852 | 24 | 22,385 |

Mt. Pleasant Public Schools
Schedule of Expenditures of Federal Awards
June 30, 2008

| Federal Grantor Pass Through Grantor Program Title Grant Number | | Federal CFDA Number | Approved Grant Amount | Accrued (Deferred) Revenue July 1, 2007 | (Memo Only) Prior Year Expenditures | Current Year Expenditures | Current Year Receipts | Adjustments | Accrued (Deferred) Revenue June 30, 2008 |
|---|--|---------------------------|-----------------------------|---|---|------------------------------|-----------------------------|-------------|--|
| U.S. Department of Education | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | |
| 071130 710917 Federal Adult Education ABE Instruction | | 84.002 | \$ 52,309 | \$ 8,251 | \$ 52,309 | \$ - | \$ 7,477 | \$ (774) | \$ - |
| 081130 810917 Federal Adult Education ABE Instruction | | | 70,000 | - | - | 70,000 | 43,085 | - | 26,915 |
| 071190 710917 Federal Adult Education Institutional Programs | | | 27,800 | 1,938 | 27,800 | - | 1,938 | - | - |
| 081190 810917 Federal Adult Education Institutional Programs | | | 27,000 | - | - | 27,000 | 24,609 | - | 2,391 |
| | | | | 10,189 | | 97,000 | 77,109 | (774) | 29,306 |
| Passed through Michigan Department of Education | | | | | | | | | |
| 061530 0607 Title I | | 84.010 | 106,798 | 24,523 | 106,798 | - | 24,523 | - | - |
| 071530 0607 Title I | | | 711,984 | 175,751 | 558,695 | 29,254 | 205,005 | (102,700) * | (102,700) |
| 081530 0708 Title I | | | 758,580 | - | - | 593,438 | 537,835 | - | 55,603 |
| | | | | 200,274 | | 622,692 | 767,363 | (102,700) | (47,097) |
| Special Education Cluster | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | |
| 080440 0708 Service Self provider | | 84.027 | 5,500 | - | - | 2,197 | 2,197 | - | - |
| Passed through Gratiot-Isabella Regional Education Service District | | | | | | | | | |
| 070450 IDEA | | 84.027 | 165,000 | 165,000 | 165,000 | - | 165,000 | - | - |
| Total Special Education Cluster | | | | 165,000 | | 2,197 | 167,197 | - | - |
| Passed through Montcalm Area Intermediate School District | | | | | | | | | |
| Vocational Education - Perkins | | 84.048 | 142,492 | - | - | 142,492 | 142,492 | - | - |
| Passed through Michigan Department of Education | | | | | | | | | |
| 062860 0607 Safe Drug Free Schools | | 84.186 | 5,637 | 5,637 | 5,637 | - | 5,637 | - | - |
| 072860 0607 Safe Drug Free Schools | | | 14,118 | 1,504 | 14,118 | - | 1,504 | - | - |
| 072860 0708 Safe Drug Free Schools | | | 5,459 | - | - | 2,355 | 969 | - | 1,386 |
| 082860 0708 Safe Drug Free Schools | | | 20,297 | - | - | 18,032 | 17,816 | - | 216 |
| | | | | 7,141 | | 20,387 | 25,926 | - | 1,602 |

Mt. Pleasant Public Schools
Schedule of Expenditures of Federal Awards
June 30, 2008

| Federal Grantor Pass Through Grantor Program Title Grant Number | | Federal CFDA Number | Approved Grant Amount | Accrued (Deferred) Revenue July 1, 2007 | (Memo Only) Prior Year Expenditures | Current Year Expenditures | Current Year Receipts | Adjustments | Accrued (Deferred) Revenue June 30, 2008 |
|---|--|---------------------------|-----------------------------|---|---|------------------------------|-----------------------------|--------------|--|
| U.S. Department of Education | | | | | | | | | |
| Passed through Montcalm Area Intermediate School District | | | | | | | | | |
| Tech prep | | 84.243A | \$ 29,500 | \$ - | \$ - | \$ 29,500 | \$ 29,500 | \$ - | \$ - |
| Passed through Michigan Department of Education | | | | | | | | | |
| 070250 0607 Title V Part A Innovative | | 84.298 | 796 | 13 | 796 | - | 13 | - | - |
| 080250 0708 Title V Part A Innovative | | | 807 | - | - | 807 | 805 | - | 2 |
| | | | | 13 | | 807 | 818 | - | 2 |
| U.S. Department of Education | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | |
| 064290 0607 Technology Literacy Challenge Grants | | 84.318 | 8,908 | 8,728 | 8,908 | - | 8,728 | - | - |
| 074290 0607 Technology Literacy Challenge Grants | | | 7,309 | 2,278 | 3,748 | - | 2,278 | - | - |
| 084290 0708 Technology Literacy Challenge Grants | | | 9,513 | - | - | 5,024 | 5,024 | - | - |
| | | | | 11,006 | | 5,024 | 16,030 | - | - |
| Passed through Michigan Department of Education | | | | | | | | | |
| 070520 0607 Improving Teacher Quality | | 84.367 | 242,541 | 74,454 | 217,351 | - | 74,454 | - | - |
| 080520 0708 Improving Teacher Quality | | | 266,816 | - | - | 260,533 | 238,301 | - | 22,232 |
| | | | | 74,454 | | 260,533 | 312,755 | - | 22,232 |
| Total Department of Education | | | | 468,077 | | 1,180,632 | 1,539,190 | (103,474) | 6,045 |
| U.S. Department of Health and Human Services | | | | | | | | | |
| Passed through Gratiot-Isabella Regional Education Service District | | | | | | | | | |
| Medicaid Targeted Case Management | | 93.778 | 46,868 | 12,437 | 46,868 | - | 12,437 | - | - |
| Medicaid Targeted Case Management | | | 47,343 | - | - | 47,343 | 47,343 | - | - |
| | | | | 12,437 | | 47,343 | 59,780 | - | - |
| | | | | \$ 493,620 | | \$ 1,799,082 | \$ 2,160,822 | \$ (103,450) | \$ 28,430 |

* \$102,700 of Title I funds were disallowed by the Michigan Department of Education. These funds will be deducted from future federal payments.

Mt. Pleasant Public Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2008

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2008.
3. The federal amounts reported on the Forms Grant Auditor Report and the R-7120 "Grant Sections Auditors' Report" are in agreement with the Schedule of Expenditures of Federal Awards.
4. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.
5. The following is a reconciliation between the financial statements and schedule of expenditures of federal awards:

| | |
|--|---------------------|
| Federal revenue per financial statements | \$ 1,696,382 |
| Disallowed Title I funds | <u>102,700</u> |
| Total expenditures of federal awards | <u>\$ 1,799,082</u> |

Mt. Pleasant Public Schools
Schedule of Findings and Questioned Costs
June 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? X yes _____ none

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? X yes _____ none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes _____ no

Identification of major programs:

| <i>CFDA Number(s)</i> | <i>Name of Federal Program or Cluster</i> |
|-----------------------|---|
|-----------------------|---|

| | |
|-------------------|-------------------|
| 10.553 and 10.555 | Nutrition Cluster |
|-------------------|-------------------|

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

Mt. Pleasant Public Schools
Schedule of Findings and Questioned Costs
June 30, 2008
(continued)

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

Finding 08-1 Audit Entries

Criteria: Reconciliations were not performed for all account balances prior to the close of the fiscal year.

Condition: Several accounts required audit adjustments in order to be fairly stated.

Context: Adjustments were posted as a result of audit procedures in order to fairly state the balances.

Cause/Effect: Reconciliations were not done on all balance sheet and material revenue accounts prior to the year end close.

Recommendation: All accounts should be reconciled timely each month and proper accruals posted at year end. This will help identify problems and give management and the board adequate information to make informed decisions.

Management's Response: The District will reconcile accounts on a monthly basis and make necessary adjustments before year end close.

SECTION III - FEDERAL AWARD FINDINGS

Finding 08-2 – Nutrition Cluster – Food Service Management Company Operated Food Services

Specific requirement: In accordance with the Michigan Department of Education 2008 Michigan School Auditing Manual Child Nutrition Cluster Compliance Supplement, District personnel are to verify eligibility determinations, including application review, actual determination if the child's household meets the income eligibility limits for free and reduced price meals, and the signature approval on the application for meal benefits. In addition, on-site reviews and certification of meal reimbursement claims and certification of the on-line School Meals Program Year End Report are required to be prepared by District personnel.

Condition: The Food Management Company was performing District responsibilities.

Questioned Costs: None

Context: The Food Management Company was performing annual on-site reviews.

Cause/Effect: District personnel were not aware of the requirement.

Recommendation: Establish procedures for District personnel to perform on-site reviews to be in compliance with the requirements established by the Michigan Department of Education.

Management's Response: District personnel will perform annual on-site reviews.

Mt. Pleasant Public Schools
Schedule of Findings and Questioned Costs
June 30, 2008
(continued)

Finding 08-3 – Nutrition Cluster – Eligibility

Specific requirement: In accordance with the Michigan Department of Education 2008 Michigan School Auditing Manual Child Nutrition Cluster Compliance Supplement, all free, reduced price and paid lunches claimed for reimbursement are served only to eligible children and are recorded, consolidated, and reported through a system which consistently yields correct claim.

Condition: A student was incorrectly recorded as a reduced priced student when the participant was eligible for free lunch.

Questioned Costs: None

Context: The eligibility of one student of 40 tested was not verified in the system for correctness.

Cause/Effect: District personnel did not compare the eligibility of all students to the benefit issuance list created in the computer system for agreement.

Recommendation: Establish procedures for District personnel to review and recalculate eligibility of participants to ensure the participant is recorded in the system correctly to be in compliance with the requirements established by the Michigan Department of Education.

Management's Response: The District's business office will verify that applications are properly entered into the computer system.

Mt. Pleasant Public Schools
Schedule of Findings and Questioned Costs
June 30, 2008
(continued)

Finding 08-4 – Title I – Disallowed Budget Items

Specific requirement: Expenditures for Title I are not to exceed 10% of the approved budget line items.

Condition: District personnel reported expenditure line items greater than 10% of the approved budget.

Questioned Costs: None

Context: Michigan Department of Education disallowed \$102,700. This was included as an adjustment on the Schedule of Expenditures of Federal Awards and the audited financial statements.

Cause/Effect: The Title I budget was not monitored to verify spending was within budget limits.

Recommendation: Implement procedures for District personnel to review all grant budgets on a routine basis to prevent budget overages. As changes occur within the grant budget, communication between the Program Directors and the Business Office need to occur so appropriate adjustments are made. All budget modifications need to be made with the Michigan Department of Education.

Management's Response: The District's Chief Financial Officer will verify the accuracy of the budgets submitted for Title I.

Mt. Pleasant Public Schools
Summary Schedule of Prior Audit Findings
June 30, 2008

SECTION IV – PRIOR AUDIT FINDINGS

There were no audit findings for the year ended June 30, 2007.



3023 Davenport
Saginaw, MI 48602
(989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

October 15, 2008

Management and the Board of Education
Mt. Pleasant Public Schools

We have completed our audit of the financial statements of Mt. Pleasant Public Schools as of and for the year ended June 30, 2008 and have issued our report dated October 15, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel in the organization during the audit and have already met with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Education, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Yeo & Yeo, P.C.

Saginaw, Michigan

Appendix I
Communication to Those Charged with Governance

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated May 12, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected. The most sensitive estimates affecting the financial statements were:

| Estimates | Management's Basis |
|--|--|
| Capital assets with related accumulated depreciation | Estimates were used based on current acquisition costs and appraisal values. Useful lives are based on lives established by the District's capital asset policy. |
| Compensated absences accrual | Based on accumulated vacation and sick days and salary and wage rates in effect. |

- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments. Management has determined that the effects of the uncorrected misstatements below are immaterial both individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole

Fund balance was understated by \$23,333 in the current year due to the effect of the unadjusted audit differences from prior years. This understatement is from recognizing revenue past 60 days in the prior year offset against a receivable not recorded.

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

Other Reports

Other information that is required to be reported to you is included in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Appendix II Management Comments

In planning and performing our audit of the financial statements of Mt. Pleasant Public Schools as of and for the year ended June 30, 2008, we considered Mt. Pleasant Public Schools internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report date October 15, 2008, on the financial statements of Mt. Pleasant Public Schools. Our comments and recommendations regarding those matters are:

CURRENT YEAR COMMENTS

Bank Reconciliations

During our review of bank reconciliations we noted cash reconciliations for each month were off from being reconciled between the bank statement and the general ledger for two bank accounts. After reviewing the differences each month we noted the differences did not continue to increase from month to month. It appears differences at the end of one month clear themselves out by the end of the following month. We understand that the cost and benefit of each internal control procedure must be evaluated; however, cash reconciliations are very important. We recommend additional time be spent reconciling cash accounts to minimize these differences each month.

Custodian/Maintenance Timesheets

During our review of payroll, we noticed timesheets for custodians and maintenance employees are not being reviewed and signed off on before the payroll department receives them. According to the Business Office procedures manual, a supervisor or building principal is supposed to be approving the timesheets before forwarding them on to the payroll department. We recommend all timesheets be approved and signed off on by the supervisor or principal without exception. This will provide the added control necessary to prevent and catch any unusual activity.

PRIOR YEAR COMMENTS

Technology Department

Through discussions and inquiry it came to our attention that H.R. Department is slow to notify the IT Department of terminated employees. This has caused several instances where employees have logon access long after leaving the District. In addition, key cards are not being turned in timely from terminated employees. We recommend the H.R. Department notify the IT Department immediately following the termination of an employee. This will allow IT to terminate access to the Districts functions and collect all key cards in a timely manner. This issue still exists; no procedures were implemented in 2008.

MT. PLEASANT PUBLIC SCHOOLS

720 N. Kinney Avenue
Mt. Pleasant, Michigan 48858
(989) 775-2300 Fax: (989) 775-2309

Superintendent
Joseph G. Pius

Asst. Superintendent/Curriculum
Tammy Holder

Chief Financial Officer
Marla S. Michalak

Asst. Superintendent/Personnel
Peter Trezise

Mt. Pleasant Public Schools
Corrective action plan for Single Audit Findings and Questioned Costs
2007/2008

SECTION II – GOVERNMENT AUDITING STANDARDS FINDINGS.

Finding 08-1 Audit Entries

Comment: The accounts in question were reviewed by district personnel prior to the close for the fiscal year. The auditors requested additional information that resulted in the additional audit entries.

Corrective Steps: The District has reviewed its procedures for month end and annual closing of the ledgers and will review balances on a monthly basis.

Steps to be taken: Monitoring of the accounting balances on a monthly basis.

Plan for monitoring adherence to the corrective action plan: The CFO will review the monthly process and balance sheet accounts.

Contact Person: Marla S. Michalak, CFO mmichalak@mtpleasant.edzone.net

SECTION III – FEDERAL AWARD FINDINGS

Finding 08-2 – Nutrition Cluster – Food Service Management Company Operated Food Services

Comment: The Food Service Management Company supervisor had been employed as a public school employee prior to employment with the management company. She was not aware she could not perform the annual on-site review as a management company employee.

Corrective Steps: The management company and the district have informed the supervisor she can no longer perform the on-site annual reviews.

Steps to be taken: The CFO or district designee will perform the on-site review.

Plan for monitoring adherence to the corrective action plan: The CFO will review with the management company supervisor the on-site annual review will be performed by the district.

Contact Person: Marla S. Michalak, CFO mmichalak@mtpleasant.edzone.net

Finding 08-3 – Nutrition Cluster – Eligibility

Comment: The incorrectly recorded student was a result of human input error.

Corrective Steps: The district has reviewed the method of inputting the student's eligibility in to the POS system.

Steps to be taken: The secretary to the CFO will verify students are input in to the POS system correctly according to eligibility.

Plan for monitoring adherence to the corrective action plan: The CFO will review with the secretary of the verification of the students.

Contact Person: Marla S. Michalak, CFO mmichalak@mtpleasant.edzone.net

Finding 08-4 – Title I – Disallowed Budget Items

Comment: The district was made aware by the state of the expenditures exceeding the 10% of the approved budget in a letter June of 2007 but the personnel responsible for the reports were not informed. The state had not enforced this requirement in the past. The MDE has informed the district the state will reduce future payments to recover the disallowed amount of \$102,700

Corrective Steps: The grant budget filed for the 2007/2008 year has been reviewed and verified with the spending of the grant.

Steps to be taken: The CFO will request all Federal Grant Program Directors to file a copy of the approved grant and a copy of the budget that is recorded on the general ledger. The CFO will verify the grant and the ledger budgets are the same. If the Program Director requests a budget transfer the CFO will require a copy of the amended grant before allowing the transfer or the expenditures.

Plan for monitoring adherence to the corrective action plan: The CFO will review grants on a monthly basis when she request funds.

Contact Person: Marla S. Michalak, CFO mmichalak@mtpleasant.edzone.net